Nos. 22456 and 22717

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

Royal Industries, a corporation,

Appellant,

vs.

St. Regis Paper Company, a corporation,

Appellee.

APPELLEE'S BRIEF.

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Statement of the Case.

Appellee, St. Regis Paper Company (hereinafter "St. Regis") does not believe that the statement of the case by appellant, Royal Industries (hereinafter "Royal") adequately or accurately sets forth the basic facts involved in these appeals. Therefore, St. Regis here sets forth a brief summary of the facts and the history of the litigation.

Royal is the owner of a United States Patent, No. 2,767,113, by assignment in 1963 from the inventor, Gerald C. Bower [Ex. D-24 of DaRin Dep.; R. 3].* Approximately at the same time as the assignment, Royal also acquired 80% ownership of Plas-Ties Corporation (hereinafter "Plas-Ties"), the remaining 20% ownership being held by Bower [Johnson Dep. pp. 4-7]. Plas-Ties was then manufacturing products under the patent,

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*All references to the Record are to the Transcript of Record in Appeal No. 22456, unless otherwise noted.

which are referred to as plastic tie strips. Royal has never manufactured or sold any of such plastic tie strips, but has allowed Plas-Ties to continue to manufacture and sell them. No written patent license between Royal and Plas-Ties exists, but there appears to be an informal license [Johnson Dep. pp. 7-8, 32, 97].

Although Royal acquired the remaining 20% ownership of Plas-Ties from Bower in 1965, Plas-Ties has never been merged into Royal and continues to exist as a separate corporate entity both in law and in operation. Plas-Ties has had its own Board of Directors who meet three or four times a year, and its President runs the corporation [Johnson Dep. p. 29]. Plas-Ties has always had its own manufacturing and selling operations and systems of accounting. There have been no employees in common between Plas-Ties and Royal, except Johnson and Sherburn, who are officers and directors of both [Johnson Dep. pp. 5, 9, 11-12, 112-113].

Prior to Royal's acquisition of an interest in Plas-Ties, negotiations had commenced between the Pollock Paper Division of St. Regis and Bower for rights to sell and possibly to manufacture plastic tie strips under the patent. After Royal acquired the Bower patent, it joined in these negotiations. Royal indicated a willingness to license St. Regis to manufacture, use and sell the plastic tie strips under the patent it had acquired, and Plas-Ties indicated its willingness to license St. Regis to use its know-how with respect to the manufacture of the strips [Johnson Dep. pp. 15-19 and Exs. D-1 and D-2 thereto].

Face to face negotiations were conducted in Dallas, Texas and in Pasadena, California, and there was correspondence concerning the terms and conditions of the proposed agreement [Johnson Dep. pp. 15-19, 23-28 and Exs. D-3 to D-7 thereto]. In these negotiations Johnson and Bower represented Royal and Plas-Ties, together with their patent counsel (Hale and DaRin), and Jacobs and Lacy represented the Pollock Paper Division of St. Regis, with Gary, their patent lawyer. Neither Jacobs nor Lacy was an officer of St. Regis and neither had authority to bind St. Regis to the agreement being negotiated [Johnson Dep. pp. 15, 35-43, 45, 100; R. 157-158].

The final form of written license agreement was signed by Johnson for Royal and by Bower for Plas-Ties on May 2, 1963, at a meeting in Pasadena with representatives of the Pollock Paper Division of St. Regis. One of those representatives (Lacy) signed for Pollock at that time, and the license was then forwarded to the corporate office of St. Regis in New York for review, approval and execution by St. Regis [Johnson Dep. pp. 36, 41, 44-46 and Exs. D-10 and D-12 thereto]. It was clearly understood and acknowledged by Royal and Plas-Ties that the license had to be approved and signed by a corporate officer of St. Regis before it could become binding upon St. Regis [Johnson Dep. p. 36 and Exs. D-10, D-12 and D-15 thereto]. The license document was, in fact, reviewed by St. Regis and approved and executed by Adams, the president of St. Regis. It was then delivered to Royal and Plas-Ties [R. 156-158; Ex. D-15 to Johnson Dep.].

The license document as executed by Royal, Plas-Ties, Pollock Paper Division and St. Regis is ten pages in length and contains all of the normal and usual provisions of a patent and know-how license. It is complete on its face. Among other matters, it contains express provisions giving Royal and Plas-Ties, as licensors, the right to terminate the license under certain designated conditions [Sections 2, 10 and 12; R. 16, 20-23]. In Section 5 of the patent license, there is express reference to the selling prices of Plas-Ties; the royalty rate for St. Regis is to be reduced in direct proportion to any future price reductions by Plas-Ties [R. 18]. The then-current price schedule of Plas-Ties was attached as an exhibit to the license [R. 25].

In the complaint here involved, as well as affidavits and depositions by Royal's personnel, there is a claim that Royal imposed an oral condition on the patent license, which is nowhere referred to in the license itself. Royal claims that the oral condition gave it the right to control the selling price of patented tie strips and to require St. Regis to sell such strips at prices not less than those charged by Plas-Ties [R. 6]. Royal claims that the Pollock negotiators agreed to this oral condition but requested that no reference be made to it in the written license [Johnson Dep. pp. 37-40]. The license document contains no price-fixing provisions whatever, nor does it give a right of termination to Royal for any price changes by St. Regis. The prices originally set by the Pollock division of St. Regis for its plastic tie strips were the same as those being charged by Plas-Ties for strips manufactured and sold by it. In February 1966, Pollock reduced its prices, and Plas-Ties followed within the next month, without complaint [R. 117, 107]. In June, 1966 Pollock made a second reduction, of which Plas-Ties and Royal complained. After a conference in Los Angeles, St. Regis raised its prices but not to the price level maintained by Plas-Ties [Ex. D-21 to Johnson Dep. R. 112-113, 106].

In May 1967, St. Regis announced a third price reduction for its plastic tie strips. Johnson, the president of Royal, sent a letter to St. Regis dated June 8, 1967, which Royal now contends constituted a termination of the license to St. Regis [R. 5-6, 130-132]. Plas-Ties was not a party to this attempted termination. The sole reason given by Royal for the alleged termination of the patent license was St. Regis' reduction of prices below those charged by Plas-Ties and the refusal of St. Regis to raise its prices upon Royal's demand [R. 57]. St. Regis refused to consider or accept Royal's letter as an effective termination of the license.

In July 1967, Royal alone brought the present action by a complaint containing two causes of action. The first count is for alleged infringement of the patent, and the second is for alleged wrongful unfair competition by use of know-how which Plas-Ties furnished to St. Regis under the license [R. 2-25]. Plas-Ties is not a party to the action and no leave was ever sought in the trial court to join Plas-Ties as a plaintiff.

Royal moved for a preliminary injunction and, after submission of affidavits and briefs, the motion was denied, a written opinion being filed [R. 530-533].

In its answer, St. Regis raised the defense of license and denied that Royal had any legal right to terminate the license upon the ground claimed. During the course of proceedings on Royal's motion for preliminary injunction, St. Regis filed a motion for summary judgment. The basis of the motion was that there were no genuine issues of material fact (a) as to application of the parol evidence rule to the alleged oral price-fixing condition, and (b) as to the illegality of the alleged oral condition under the antitrust laws. The motion for summary judgment was granted upon the grounds urged, the written opinion constituting the conclusions of the court upon the undisputed, material facts [R. 14-27 in Appeal No. 22717].

Royal has appealed from the order denying its motion for preliminary injunction (Appeal No. 22456) and from the ruling granting St. Regis a summary judgment (Appeal No. 22717). The appeals have been consolidated for the purpose of expediting this court's review.

Issues.

In determining both the motion for summary judgment and the motion for preliminary injunction the primary issues were identical. These remain as the issues before this court on the consolidated appeals, to wit:

1. Does the parol evidence rule bar consideration of an alleged oral condition to the written patent license, the condition being that St. Regis must maintain its selling prices of patented tie strips at prices charged by Plas-Ties?

2. Could Royal unilaterally terminate the license without joinder by Plas-Ties, the co-licensor?

3. Was the alleged oral price-fixing condition illegal and unenforceable under the antitrust laws?

Royal has raised a subsidiary issue on the appeal from the summary judgment; that is, did the trial court correctly determine that there was no genuine dispute as to any material fact concerning the grounds of the summary judgment. Also, there is a subsidiary issue on the appeal from the order denying a preliminary injunction, as to whether the trial court abused its discretion in reaching that decision.

I.
Introduction.

In its answer and motion for a summary judgment St. Regis contended that the license from both Royal and Plas-Ties was still in full force and effect, thereby negating any patent infringement or unfair competition. Summary judgment was granted upon the ground that, as a matter of law, St. Regis did hold a patent and know-how license from Royal and Plas-Ties which had not been terminated. Although facts on other aspects of the case were in dispute, the only facts material to the defense of license were uncontroverted. Hence, the trial court correctly determined that F.R.C.P. 56 entitled St. Regis to a summary judgment in its favor.

There are several independent grounds for a determination that the St. Regis license was not effectively terminated by Royal. Any one of these is sufficient for affirmance of the judgment.

II.
The License Could Not Be Terminated for Violation of an Oral Price-Fixing Condition Because Use of Such Condition Would Be a Violation of the Parol Evidence Rule.

The foundation of Royal's claim is that it was a violation of the license for St. Regis to sell patented products for lower prices than those charged by Plas-Ties. However, the detailed, formal written patent license, placed before the trial court as part of Royal's complaint

[R. 15-25], contains no price-fixing provision. Nor does the written license refer to any oral condition or understanding by which Royal claims St. Regis agreed to maintain prices as a condition of obtaining the license. The written license appears on its face to be a complete statement of the parties' agreements and understandings concerning the manufacture and sale of the patented items. It sets forth with exactitude the conditions under which the licensors, Royal and Plas-Ties, could terminate the license [R. 16, 20 and 22]. It was carefully drawn and was the result of extensive negotiations between the parties, in which they were represented by counsel. There is no ambiguity or uncertainty, either patent or latent, in its terms.

Thus, a classic case is presented for the application of the parol evidence rule to bar consideration and use of an alleged oral condition materially adding to and altering a written agreement.

A. California Law on the Parol Evidence Rule Is Controlling.

The parol evidence rule is not a mere rule of evidence concerned with the method of proving an agreement. Rather, it is a rule of substantive law.

> *Estate of Gaines,* 15 Cal. 2d 255, 264; 100 P. 2d 1055, 1060 (1940).

In fact, it is more properly referred to as "the integration doctrine" because it deals with the legal effect of integrated agreements, rather than the exclusion of evidence of oral negotiations.

Accordingly, as a rule of substantive law, the parol evidence rule of the state in which the document is executed is controlling in an action in federal courts.

Production Livestock Loan Co. v. Idaho Livestock Auction, Inc., 230 F. 2d 892, 894 (9th Cir. 1956);

Black v. Richfield Oil Corp., 146 F. 2d 801, 804 (9th Cir. 1944), *Cert. denied* 325 U.S. 867 (1945).

The St. Regis patent license was negotiated and executed by Royal, Plas-Ties, and Pollock Paper in California. Thus, California law controls on the parol evidence rule.

California's rule is found both in its statutes and precedents. The basic statute is Civil Code § 1625:

> "The execution of a contract in writing, whether the law requires it to be written or not, supersedes all the negotiations or stipulations concerning its matter which preceded or accompanied the executon of the instrument."

Code of Civil Procedure § 1856 is to the same effect, but provides exceptions for evidence to explain an extrinsic ambiguity, to establish illegality or fraud, or to show a mistake in the writing put in issue by the pleadings.

According to one Court of Appeals, the parol evidence rule is "strictly adhered to in California". *Smith v. Bear,* 230 F. 2d 79, 85 (2d Cir. 1956). The characterization by this Court is that the rule of evidentiary exclusion is "firmly applied." *Western Machinery Company v. Northwestern Improvement Co.*, 254 F. 2d 453, 458 (9th Cir. 1958). For example, in *Black v. Richfield Oil Corp., supra,* this Court affirmed a judgment denying relief to a patentee on his claim that one patent had inadvertently been omitted from the list of patents being licensed, on the ground that the California parol evidence rule prevented consideration of evidence "clearly" showing the intent of both parties to list all patents held by the patentee.

B. The Written License Agreement Was Intended to Be and Is an Integration, a Final and Complete Expression of the Agreement of the Parties.

Under California law, as elsewhere, the initial question to be answered in determining the applicability of the parol evidence rule is the following:

> "Is the writing an integration of the agreements of the parties?"

An agreement is integrated when the parties adopt the writing as the final and complete expression of their agreement. The integration is the writing so adopted. Restatement of Contracts, § 228.

Under California Code of Civil Procedure § 1856 there is a presumption that a written agreement was intended to contain all of the terms of the agreement of the parties. Accordingly, the California courts hold that finality of expression is determined from *the face of the document itself*. If on its face a document purports to be the complete expression of an agreement, it is *conclusively presumed* to contain all of the agreed terms and extrinsic evidence of other terms or conditions is excluded. *United Iron Works v. Outer Harbor, Etc. Co.*, 168 Cal. 81, 84, 141 Pac. 917, 919-920 (1914); *Thoroman v. David*, 199 Cal. 386, 390, 249 Pac. 513, 514 (1926); *Jones v. Foster*, 116 Cal. App. 102, 105, 2 P. 2d 582, 583 (1931).

The "face of the document test" has been applied by this Court as well as other federal courts considering similar problems. *Black v. Richfield Oil Corp., supra* at 804; *Anderson v. Owens,* 205 F. 2d 940, 943 (9th Cir. 1953); *Belvidere Distilling Co. v. Reconstruction Finance Corp.,* 211 F. 2d 893, 895 (7th Cir. 1954). A recent expression of the rule is also found in *Commodity Credit Corp. v. Rosenberg Bros. & Co.,* 243 F. 2d 504, 508 (9th Cir. 1957), *cert. denied* 355 U.S. 837 (1957).

The St. Regis license on its face is a complete expression of an agreement upon the terms and conditions under which St. Regis could manufacture, use and sell plastic tie strips utilizing Royal's patent and Plas-Ties' know-how. There is nothing which appears incomplete, nor is there missing any element of a normal patent license. Indeed, Royal has never claimed that the document is incomplete, or that there is any mistake or extrinsic ambiguity. Therefore the "face of the document test" precludes addition to the license of the oral condition alleged by Royal.

In addition, in *Production Livestock, supra,* it was held that if the particular element of the extrinsic negotiation is mentioned, covered or dealt with in the writing "then presumably the writing was meant to represent all of the transaction on that element; . . ." 230 F. 2d at 844. In the present case, the subject of selling prices of the patented product is carefully dealt with in the patent license [R. 18]. The conditions allowing for termination by Royal and Plas-Ties are thoroughly detailed in three paragraphs of the license [R. 16, 20 and 22]. Hence, it must be presumed that the written license was meant to represent all of the transactions by the parties on these subjects.

Even if the written license was considered to be completely silent on the matter of selling prices for the patented product, that silence would not open the door to parol evidence of an oral price-fixing condition. This is the clear holding of the Supreme Court in *Seitz v. Brewers Refrigerating Machine Co.,* 141 U.S. 510, 517 (1891), and of this Court in *Anderson v. Owens, supra* at 942. See also, *Belvidere Distilling Co. v. Reconstruction Finance Corp., supra; Maryland Casualty Co. v. U.S.,* 169 F. 2d 102, 110 (8th Cir. 1948).

Moreover, not only does the written St. Regis license appear on its face to be complete in every respect, but there is a special and compelling reason why the negotiating parties must have intended it to be a complete expression of their agreement. As was known and acknowledged by both licensors during the negotiations, the agreement had to be reduced to a writing approved and executed by a corporate officer of St. Regis before it could become binding on that company as a licensee [Johnson Dep. p. 36 and Exs. D-10, D-12 and D-15 thereto].

C. Application of the Parol Evidence Rule to an Agreement Is a Question of Law, Not of Fact.

The integration doctrine which brings the parol evidence rule into operation is a question of law for the Court and not a question of fact. *Harrison v. McCormick,* 89 Cal. 327, 330, 26 Pac. 830, 831 (1891); *Stephan v. Lagerqvest,* 52 Cal. App. 519, 523, 199 Pac. 52, 54 (1921); *Jones v. Foster, supra; South Florida Lumber Mills v. Breuchaud,* 51 F. 2d 490, 493 (5th Cir. 1931); see also, *General Casualty Company v. Azteca Films, Inc.,* 278 F. 2d 161, 168 (9th Cir. 1960).

Royal's bald assertion that application of the parol evidence rule is a question of fact is unsupported and erroneous (App. Br. p. 12).

Being a question of law, application of the parol evidence rule is a proper ground for summary judgment.

D. The Alleged Oral Price-Fixing Condition Does Not Come Within Any Exception to the Parol Evidence Rule.

Royal contends that the parol evidence rule is not applicable because the oral condition comes within an exception for "consistent collateral agreements". Royal argues that the price-fixing condition was a separate collateral understanding, upon a matter as to which the written agreement is silent, and that it is consistent with the written agreement (App. Op. Br. pp. 12-14). However, neither the facts nor the law support Royal's argument for the exception, as the trial court concluded.

California law requires certain express conditions which must be met in order to bring this exception into operation:

(a) The collateral agreement must have a separate consideration;

(b) It must be on a subject distinct from that to which the writing relates and on which the writing is silent;

(c) It must be such as might naturally be made as a separate agreement by parties so situated.

Ayres v. Southern Pacific Rwy., 173 Cal. 74, 159 Pac. 144 (1916); *Pacific States Securities Co. v. Steiner,* 192 Cal. 376, 220 Pac. 304 (1923); *Gardiner v. Burket,* 3 Cal. App. 2d 666, 40 P. 2d 279 (1935); *Pellissier v. Hunter,* 209 Cal. App. 2d 306, 25 Cal. Rptr. 779

(1962); Restatement of Contracts, § 240; see also, *William Pocahontas Coal Co. v. Berwind Land Co.*, 76 F. 2d 319 (4th Cir. 1935), *cert. denied,* 296 U.S. 610 (1936). For the following reasons, the facts of the present case do not fit within these conditions.

First, there was no separate consideration for the alleged oral condition. The only consideration flowing to St. Regis was that for the written license—the right to manufacture, use and sell devices utilizing the patent and the know-how. No other consideration can be conjured up for a promise by St. Regis to keep its prices at or above the level charged by Plas-Ties.

Second, the oral condition concerns a subject covered by the writing. Section 5 of the written license deals with Plas-Ties' prices as affecting the royalty rate to be paid by St. Regis. Sections 2, 10 and 12 deal with the conditions allowing termination of the license by Royal and Plas-Ties. In a real sense, the alleged oral condition is inconsistent with the latter provisions. Termination of a license involves the forfeiture and loss of the licensee's investment in the program. Therefore, provisions giving licensors the right to terminate are obviously given serious and thorough consideration in drafting a written license. Having carefully and explicitly provided in the document for the conditions allowing termination, it is inconsistent and harmful to add a further condition by oral evidence. *Pacific States Securities Co. v. Steiner, supra; Parker v. Meneley,* 106 Cal. App. 2d 391, 402, 235 P. 2d 101, 106-7 (1951).

Third, the alleged oral condition is not one such as might naturally be made as a separate agreement by parties situated as were Royal, Plas-Ties and St.

Regis here. Royal claims that price-fixing was essential to its survival, when dealing with a licensee as large as St. Regis. It also claims that such a price-fixing condition is absolutely legal, under *United States v. General Electric Co.,* 272 U.S. 476 (1926). In these circumstances, it would be unnatural for Royal to make this matter a subject of separate, oral understanding, subject to the vicissitudes of memory and interpretation. Further, as noted, Royal and Plas-Ties knew the agreement had to be examined and approved by an officer of St. Regis. Why, then, would they leave out the price-fixing condition and run the risk of a later misunderstanding with St. Regis due to lack of communication? Further, it would be unnatural for Royal to leave this as a matter for separate, oral understanding in view of the unwavering view taken by the Pollock Paper negotiators that a price-fixing condition was illegal [Johnson Dep. p. 37]. Faced with that attitude, Royal's obvious protection would be to insist that the alleged condition be explicitly in the writing, so that St. Regis would have to "fish or cut bait"—accept the license with price-fixing or not obtain the license.*

Nothing in *Masterson v. Sine,* 68 A.C. 223 (1968) and *American Industrial Sales Corp. v. Airscope, Inc.* 44 Cal. 2d 393, 282 P. 2d 504 (1955), cited by Royal

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*Royal argues that the trial court made a finding of disputed fact in observing that "it does not appear to this Court that parties similarly situated would make a price-fixing agreement a separate agreement" (App. Br. p. 8). That observation is simply a legal conclusion necessary in applying the three tests set forth above to Royal's argument for an exception to the parol evidence rule. It is a conclusion that must be drawn from the uncontroverted words of the document and *Royal's own testimony as to the circumstances of its execution.*

(App. Br. pp. pp. 12-13), calls for enforcement of an oral price-fixing condition. In *Masterson* it was determined that an oral contemporaneous agreement was on a subject on which the written agreement was silent and that it was natural for the parties to make the agreement separate from the writing (68 A.C. at 229). Thus, the oral agreement was sustained as meeting the tests for this exception to the parol evidence rule. Likewise, in *American Industrial Sales Corp.* the Court expressly affirmed those tests for invoking the exception, and held that the oral agreement there involved was on a subject as to which the document was silent, was consistent with the writing, and was a natural subject of oral, separate, contemporaneous understanding. Contrary to Royal, there is no holding or discussion in *Masterson* that application of the parol evidence rule is a question *of fact.* (And see *Parsons v. Bristol Development Co.,* 62 Cal. 2d 861, 865, 402 P. 2d 839 (1965), again holding that it involves a question of law for the court.)

Thus, Royal cannot rely on the "consistent collateral agreement" exception to the parol evidence rule.

Finally, Royal argues that the fact the St. Regis license document provides for the royalties to be determined by Plas-Ties prices "strongly suggests that there may have been some collateral agreement between the parties tying St. Regis' prices to those of Plas-Ties." (App. Br. pp. 13-14). It does not so suggest. The license provision is that the St. Regis royalty *rate* is to be reduced if Plas-Ties prices are reduced. This only suggests that Royal bargained for and obtained *partial* protection against its royalty income being reduced by reason of arbitrary price reductions by St. Regis. It hardly suggests *complete* protection through price-fixing of St. Regis prices.

E. Patent Law Does Not Allow Termination of a Patent and Know-How License Except Upon Grounds Set Forth in the License.

As noted, the St. Regis license sets forth certain express situations under which each party may terminate the license in advance of its normal expiration. None of its express conditions allowing termination have occurred, and Royal does not so contend. Under ordinary principles of patent law, Royal did not have the right to attempt to terminate the license.

Kelly v. Porter, 17 Fed. 519 (C.C.D. Cal. 1883), is closely in point. The owner of a patent brought an infringement action and the defendant user claimed that he held a license. The patentee alleged that he had revoked the license in writing prior to instituting the action. The court noted that the patent license specified certain conditions for revocation, which had not occurred:

> "Thus it is provided in express terms under what circumstances the contract shall be abrogated; and, having named those terms, it must be presumed that they cover all the contingencies contemplated by the parties upon which the contract should cease." (17 Fed. at 522).

Accordingly, the court held that the patent holder did not have a right to revoke the license, "there being no stipulation to that effect within the contract." The court sustained a demurrer to the complaint and dismissed the action.

In a more recent action, it was held that a licensee could not claim that the license had been revoked (or that it had been ousted) when it had not complied with the license provisions allowing termination under specific conditions. *Sbicca-Del Mac, Inc. v. Milius Shoe Co.,* 145 F. 2d 389 (8th Cir. 1944).

> "The parties were at liberty to enter into a license agreement containing any conditions for terminating the contract upon which they could agree, and such conditions were binding. The clause in the contract is the measure of the defendant's rights. United States v. Harvey Steel Co., 196 U.S. 310, 316, 25 S.Ct. 240, 49 L.Ed. 492. And when the contingency for which they provided in their contract occurred they were bound by the terms upon which they had agreed, and the contract could be terminated in no other way without the mutual consent of both parties." (145 F. 2d at 401).

Likewise in *United Mfg. Service Co. v. Holwin Corp.,* 187 F. 2d 902 (7th Cir. 1951), the court found that a patent owner had not terminated a license by reason of certain letters written to customers of its licensee. The court said, in response to the licensee's contention that such letters constituted a repudiation of the license:

> "However, it is clear that the unilateral action of one party to a patent license agreement cannot revoke the agreement. . . . Our courts generally take a strict view on attempted revocations or forfeitures of license agreements. The courts dislike forfeitures." (187 F. 2d at 905). (Citations omitted).

Finally, even if the court were to find that the parol evidence rule does not bar consideration of the alleged oral condition, it cannot be said that breach of that alleged condition is grounds for termination of the St. Regis license. Nowhere in Royal's brief or supplementary materials is it contended that the parties agreed or understood that breach of the alleged condition would constitute ground for termination. At best, Royal's remedy would be one at law for damages. *Walker on Patents,* Dellers 2d Ed., agrees with this position stating:

> "Forfeiture of a license does not follow from the single fact that the licensee has broken covenants which were made by him when accepting the license, unless the parties expressly agreed that such a forfeiture should follow a breach." (Sec. 410)

III.

The Written License Could Not Be Terminated by Royal Because the Co-Licensor, Plas-Ties, Did Not Join in the Attempt to Terminate.

The license in issue runs from both Royal and Plas-Ties to St. Regis. Royal owned only the patent and licensed only rights under that patent. Plas-Ties owned only the know-how and licensed only that know-how. The 10% royalty rate was an aggregate of eqaul 5% rates for the use of the patent and of the know-how [Johnson Dep. pp. 31-32 and Ex. D-4 thereto]. Yet, the attempt to terminate the license came from Royal alone. Plas-Ties did not purport to terminate the license, either in June, 1967 or at any time in the proceedings in the trial court. Such an attempted termination is ineffective if it fails to come from all of the licensors.

> ". . . where several persons are arrayed on the same side of a transaction—as joint contractors, joint purchasers, or joint vendors * * * one of them alone cannot repudiate or terminate the contract, or obtain its rescission, without the consent or against the objections of the others. Thus, one joint and several obligor cannot rescind an agreement whereby both are discharged from liability on the obligation, and thereby bind his co-obligor, if the latter does not consent to the rescission." 3 Black, Rescission and Cancellation, 2d ed., 1929, p. 1362.

The above passage was cited with approval in *Denker v. Twentieth Century Fox Film Corp.,* 179 N.E. 2d 336, 337-8 (N.Y. 1961), where the New York Court of Appeals held that one of three copyright owners who had licensed defendant to produce a motion picture could not terminate the copyright license unless the other licensors joined in such termination. See also 3 *Walker on Patents,* Dellers Ed., §430 (1937).

Not only did Plas-Ties not attempt to terminate the license, but it also did not join in this action. Royal has attempted to explain this situation by claiming that Plas-Ties should not be treated as a separate corporation, but as only another aspect of Royal, and that "possibly" Royal owns the know-how which was licensed (App. Br. pp. 18-21). These arguments border on the ridiculous.

There are compelling reasons requiring the joinder of the co-licensor, Plas-Ties, in any termination. First, Plas-Ties was and is a wholly separate corporation, with its own officers, directors, plant, and operations. There are only two officers or directors in common between Royal and Plas-Ties [Johnson Dep. pp. 11-12]. Second, at the time of the license Royal owned only 80% of Plas-Ties' stock and did not acquire the other 20% until several years later. Third, Plas-Ties had developed the know-how licensed to St. Regis long prior to Royal's acquisition of any stock of Plas-Ties. Finally, Plas-Ties was treated as a separate corporate party to the license and in all subsequent dealings thereunder [Johnson Dep. pp. 4-7, 9, 11-12, 29, 112-113].

Having chosen to use a corporate form for the business of Plas-Ties, Royal cannot now ignore that corporate form in order to avoid a disadvantage created thereby. *O'Neill v. Commissioner,* 271 F. 2d 44 (9th Cir. 1959); *Commissioner v. Schaefer,* 240 F. 2d 381 (2d Cir. 1957); *Rogan v. Delaney,* 110 F. 2d 336 (9th Cir. 1940); *Goldberg v. Tri-States Theatre Corp.,* 126 F. 2d 26 (8th Cir. 1942). This principle of estoppel of a corporate owner to ignore the corporate form is likewise found in California law. *Wynn v. Treasure Co.,* 146 Cal. App. 2d 69, 303 P. 2d 1067 (1956); *Charles Ehrlich & Co. v. J. Ellis Slater Co.,* 183 Cal. 709, 192 Pac. 526 (1920).

There are, of course, many cases in Federal and California courts involving attempts by third parties to pierce the corporate veil of subsidiary corporations, or corporations held and dominated by one or two stockholders. Such piercing is allowed in equity to avoid protection of fraud or to avoid defeat of public or private rights. See *e.g. Maule Industries v. Gerstel,* 232 F. 2d 294 (5th Cir. 1956); *Luis v. Orcutt Town Water Co.,* 204 Cal. App. 2d 433, 22 Cal. Rptr. 389 (1962). Here, Royal is not an innocent third party asking the court to disregard Plas-Ties' corporate veil to avoid fraud or protect any public rights. Hence, there is no justification whatever to treat Plas-Ties as just another name for Royal.

In its brief, Royal carries its argument to the extreme of contending that Royal "possibly" owned the licensed know-how because the license uses the collective term "Royal" in its operative sections. This contention ignores the preamble of the license which states that both Royal and Plas-Ties are corporations and are the licensors [R. 15] and uses the collective term "Royal" for simplicity. It also ignores the testimony of Royal's own president that Plas-Ties developed the know-how before Royal acquired any stock and that Plas-Ties still owns the know-how, for which it receives royalty [Johnson Dep. p. 80]. Thus, Plas-Ties was and is a necessary party to the license. Its failure to join in the attempted termination of the license renders that attempt invalid.

IV.

The Trial Court Correctly Ruled That the Alleged Oral Price Fixing Agreement of May 1963 Was Illegal as Violative of the Sherman and Clayton Acts.

Assuming the existence of an oral price-fixing agreement in May, 1963, as stated in Royal's complaint and affidavits, such an agreement could not be enforced since it violates both the Sherman and Clayton Antitrust Acts (15 U.S.C. § 1 *et seq.*). Price-fixing agreements are among the class of restraints which are "conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use." *Northern Pacific Railroad v. United States,* 356 U.S. 1 (1958). Recognizing that a price-fixing restriction in the license agreement would ordinarily constitute a *per se* violation of the antitrust laws, Royal argues* that such a restriction is justified on the authority of *United States v. General Electric Co.,* 272 U.S. 476 (1926) and *United States v. Huck,* 227 F. Supp. 791, *aff. per curiam by evenly divided court,* 382 U.S. 197 (1965).

The essence of Royal's argument is that the *General Electric* decision authorizes a patentee (Royal) to fix the prices at which its licensees may sell the patented item. However, the alleged oral agreement was that Plas-Ties, not Royal, was to set the prices at which St. Regis could sell. In response, Royal contends that it had the power to, and in fact did, set the selling prices

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*For some inexplicable reason, Royal states this argument in two separate sections of its brief, sections III and VI (pp. 18-19 and 24-26).

for St. Regis. In the alternative, Royal contends that even if Plas-Ties, rather than Royal, set the selling prices, such a power in Plas-Ties is legal under *General Electric.* Under either argument, Royal's reliance upon *General Electric* is misplaced.

The *General Electric* decision does not authorize a *non-manufacturing patentee,* such as Royal, to fix prices in a patent licensing agreement. Moreover, the *General Electric* decision authorizes *only* a manufacturing patentee to fix prices and does not allow delegation of that power to another. These points are stated quite clearly in the opinion:

> "One of the valuable elements of the exclusive right of a patentee is to acquire profit by the price at which the article is sold. The higher the price, the greater the profit, unless it is prohibitory. When the *patentee* licenses another to make and vend *and retains the right to continue to make and vend on his own account,* the price at which his licensee will sell will necessarily affect the price at which he can sell his own patented goods. It would seem entirely reasonable that he should say to the licensee, 'Yes, you may make and sell articles under my patent but not so as to destroy the profit that I wish to obtain *by making them and selling them myself.*'" 272 U.S. at 490 (Emphasis added).

As the passage indicates, the decision was predicated upon the assumption that the patentee would manufacture and sell the patented item. This same assumption can be found in subsequent Supreme Court decisions limiting the scope of the *General Electric* exception to the *per se* rule of price-fixing. For example, in *United States v. Line Material Co.,* 333 U.S. 287 (1948) it was stated:

> "We are thus called upon to make an adjustment between the lawful restraint on trade of the patent monopoly and the illegal restraint prohibited broadly by the Sherman Act. That adjustment has already reached the point, as the precedents now stand, that a *patentee* may validly license *a competitor* to make and vend with a price limitation under the *General Electric* case and that the grant of patent rights is the limit of freedom *from competition* under the cases first cited at note 22." 333 U.S. at 310 (Citations omitted and emphasis added.)

To the same effect is *United States v. New Wrinkle,* 342 U.S. 371 (1952), where a non-manufacturing patent holding company was held to be in violation of the antitrust laws by its attempt to fix prices at which its licensees might sell:

> "The Bement [*Bement v. National Harrow,* 186 U.S. 70] and *General Electric* cases allowed a patentee to license *a competitor* in commerce to make and vend with a price limitation controlled by the patentee." (Emphasis added.) 342 U.S. at 378.

Royal seems to ignore this important qualification of the *General Electric* decision. Royal's brief admits that, "In the case at bar, the patentee, Royal, does *not* engage in the manufacturing of the patented product." (Emphasis added) (App. Br. p. 25). Thus, Royal was not a competitor of St. Regis. The trial court was aware of the important distinctions between the present case and the *General Electric* rationale. As it said in its well-reasoned opinion:

> "Thus, the question presents itself, where the patent owner does not compete with the licensee with respect to the patented product, is a price fixing agreement such as the one sought to be introduced in this case, 'normally and reasonably adapted to secure pecuniary reward for the patentee's monopoly.' We think not." [R. 23 in Appeal No. 22717].

For a similar holding see *United States v. Vehicular Parking,* 54 F. Supp. 828, 838 (D. Del. 1944).

Because of the above, it would seem that Royal's contention that there was "ample evidence in the record to support an inference that Royal had at least the power and in fact, did, set Plas-Ties prices" (App. Br. p. 18) must be rejected for, even if accepted, such a power is not within the limited exemption created by the *General Electric* decision.

However, the trial court, correctly ruled that, as a matter of law, Royal was estopped from asserting that it, rather than Plas-Ties, had the power to fix the prices at which the patented items might be sold. Royal cannot be heard to argue that the "corporate veil" of Plas-Ties should be pierced in order to protect Royal from the illegality of its price-fixing condition (see pp. 21-22 *supra*). As a result, it is a licensee, Plas-Ties, and not the patentee who had the power to set St. Regis' prices under the St. Regis license. Such a power, contrary to Royal's contentions that "[T]here is nothing illegal in having the fixed price be determined by one particular licensee," (App. Br. p. 9) is not authorized by the *General Electric* decision or any other authority. As stated in the trial court's opinion:

> "Plaintiff's assertion that such an agreement is valid under the doctrine of the *General Electric* case and the *Huck* case [*U.S. v. Huck,* 227 F.Supp. 791 (E.D. Mich. 1964), aff. 382 U.S. 197 (1965)] is not sound. In each of the two latter cases the patentee entered into an agreement with its licensee that required the licensee to sell products made under the patent in question at a price no lower than that at which the patentee sold the same products. In the instant case, however, the oral agreement contended for by plaintiff would require defendant not to sell at the prices fixed by plaintiff but rather at the prices fixed by its competitor, to wit, Plas-Ties Corporation, also holding a license from plaintiff to manufacture under the patent." [R. 22 in Appeal No. 22717].

That such a power in a licensee is not within the *General Electric* doctrine is made even more clear by the Supreme Court decision in *Line Material Co., supra,* which was specifically relied upon by the trial court as "clearly" applicable to the case at bar. *Line Material* involved cross-licensing between the owner of the basic patent and the owner of the improvement patent, whereby the latter was empowered to license both patents at fixed prices. The Supreme Court held that permitting one patentee to fix the price of an article covered in part by a patent not owned by him was not within the *General Electric* rule. The instant case can be analogized to the cross-licensing arrangment in *Line Material* and also to the patent-pooling arrangement declared illegal in *New Wrinkle, supra.* Although Plas-Ties did not own any patent to pool or cross-license, it did possess something equally as important: know-how. Royal and Plas-Ties combined these resources and jointly executed the agreement to license St. Regis. Under the agreement, Plas-Ties was given the power to fix prices of items covered by Royal's patent. It would seem, therefore, that the trial court was entirely correct when it said "[T]hus, the alleged price fixing agreement would seem to come clearly within the prohibition and reasoning of *United States v. Line Material Co.*" [R. 23 in Appeal No. 22717].

Despite the clear import of the last quoted passage from the trial court's opinion, and despite the Supreme Court decision in *Line Material,* Royal states that "[I]t is not clear from the Court's memorandum decision just what its reasoning was" with relation to the legality of having the licensee, Plas-Ties, fix the prices under the alleged oral agreement (App. Br. p. 26). Speculating upon this supposed lack of clarity, Royal suggests that perhaps the court found that the "*General Electric* doctrine is limited to one licensee" (App. Br. p. 26). Cited by Royal is *Newburgh Moire Co. v. Superior Moire,* 237 F. 2d 283 (3rd Cir. 1956), which held that the *General Electric* doctrine did not give a patentee the power to "grant a plurality of licenses, each containing provisions fixing the price at which the licensee might sell the product. . . ." 237 F. 2d at 294. Nowhere in the trial Court's opinion is there any indication that the *Newburgh Moire* case or the "single licensee" rule was utilized in reaching the decision (although St. Regis did present such an argument to the trial court [R. 515]). By setting up this "straw man," Royal hopes to cloud the very clear holding that the *General Electric* and *Line Material* decisions do not authorize the license, Plas-Ties, to fix the prices of St. Regis.

The *General Electric* decision is not favored as an exemption from the antitrust laws. See *e.g.,* Kaysen and Turner, Antitrust Policy, p. 168 (1959); Report of the Attorney General's National Committee to Study the Antitrust Laws, pp. 233-236 (1955). It has no application to a situation where, as here, the patentee is not manufacturing or selling the patented item in competition with the licensee whose prices are being fixed. Accordingly, the price-fixing condition imposed by Royal has no economic or legal justification. It is a *per se* violation of the antitrust laws and hence unenforceable as a license condition.

V.

The Trial Court Complied With F.R.C.P. Rule 56 Re Finding That There Were No Material Disputed Facts Concerning the Defenses Upon Which the Summary Judgment Was Granted.

Royal claims that the trial court failed to comply with F.R.C.P. 56 because it allegedly did not comply "with the technical rule enunciated by this Court in *Neff Instrument Corporation v. Cohu Electronic, Inc.,* (CA 9, 1959) 269 F. 2d 668 . . ." (App. Br. pp. 22-23). Royal's argument is without substance in view of the record and of the applicable law.

The Court's opinion below noted that it should stand as its findings and conclusions upon the motion for summary judgment. In that opinion the court found:

"There are no material facts which are in dispute upon the question as to whether or not defendant still has a valid license to use the patented process and the 'know-how'. Plaintiff's contentions that the validity of the patent is in issue need not be now reached.

". . .

"As stated before there are no material disputed facts herein for the purposes of the motion for summary judgment. . . . Assuming for the purposes of this motion that all of the facts stated in plaintiff's affidavits and exhibits are true and that there was an oral agreement between the parties in May 1963 that defendant would maintain its prices at a level fixed by Plas-Ties Corporation, and also assuming that in June 1966 defendant again agreed to maintain prices at the levels fixed by Plas-Ties Corporation, such price fixing agreement or agreements would have no legal effect and the breach thereof by defendant would not entitle plaintiff to terminate defendant's license for the reason that each of such price fixing agreements would be invalid under the Sherman and Clayton Acts for the reasons hereinbefore stated. In addition, the Court concludes that no authorized representative of defendant executed or approved any oral price fixing agreement in or about May of 1963; that the license agreement couldn't be terminated by the breach of a separate price fixing agreement; and that in any event the parol evidence rule prevents proof of any such 1963 oral agreement." [R. 17 and 26 in Appeal No. 22717].

There statements fully comply with the requirements of F.R.C.P. 56(c). Admittedly, a movant for summary judgment has a heavy burden, but this burden was fully met in the present case. The motion for summary judgment relied almost completely upon statements by Royal's own personnel, so that there was no issue of fact raised by conflicting affidavits.*

Thus, there was no occasion for the trial court to weigh conflicting evidence and it did not do so. Rather the ruling assumed the evidence to be as stated by Royal. In such circumstances, the trial court correctly determined that the defenses of license and of illegality of the alleged price-fixing condition were matters of law and could be determined by summary judgment.

Royal has failed to identify any fact actually material to the trial court's decision upon which there was any genuine dispute. It claims that some inferences drawn by the court may be disputed (see, for example, pp. 18-19 of Royal's Brief), but we have herein shown that each such inference is the only one which can logically be drawn from the undisputed facts. Logic and reason may be employed in deciding upon a motion for summary judgment, rather than only a mechanical, inflexible process, as vividly illustrated by the recent decision of the Supreme Court in *First National Bank of Arizona v. Cities Service Co.* (36 Law Week

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*The only St. Regis affidavit relied upon by it in support of the motion for summary judgment was that of Mr. Adams, the president of St. Regis, regarding his lack of knowledge of any oral price-fixing agreement. Mr. Adams' affidavit was not contradicted by any affidavit or deposition of Royal.

4394—decided May 20, 1968). There the court utilized extensive inferences and innuendos concerning motive and intent to conspire, drawn by logic from a large mass of testimony, to uphold a summary judgment against a plaintiff who claimed that he was the victim of an anti-trust conspiracy. It held that F.R.C.P. 56 is to be realistically applied and that "a party cannot rest on the allegations contained in his complaint in opposition to a properly supported summary judgment motion made against him" (36 Law Week at 4404).

As to Royal's reliance upon the claimed "technical rule" of *Neff Instrument Corp., supra,* that there must be an express finding that "there is no genuine issue as to any material fact," any such technical rule has been disavowed by this Court. In *Fromberg, Inc. v. Gross Manufacturing Company, Inc.,* 328 F. 2d 803 (9th Cir. 1964), a patentee made the same argument of a "technical rule", in seeking to reverse a summary judgment against him. However, this court replied:

> "Appellant, however, says that the court made no express finding that there was no genuine issue as to any material fact and invokes the 'technical rule' that absent such a finding the judgment must be reversed. Apparently the notion that there is such a technical rule started with an impatient statement of Judge Fee, citing no authority, in *New and Used Auto Sales v. Hansen,* 9 Cir. 1957, 245 F.2d 951, a case in which this court found that there were genuine issues to be tried. There is similar, but somewhat weaker, language by Judge Mathews in *Sequoia Union High School Dist. v. United States,* 9 Cir. 1957, 245 F.2d 227. These dicta were repeated in the form of an alternative

holding in *Neff Instruments Corp. v. Cohu Electronics, Inc.*, 9 Cir. 1959, 269 F.2d 668, 674. Yet in each case the court was at pains to show that there were, in fact, genuine issues of material fact to be tried. How much repetition of dicta is required to make a holding, we need not here decide.

"The court is not required to make any finding in granting a motion for summary judgment. *Lindsey v. Leavy,* 9 Cir. 1945, 149 F.2d 899, 902. Such findings, however, are sometimes made, and when made they are helpful to the appellate court. In this case the court wrote an opinion and also made formal findings of fact and conclusions of law. The latter do not contain the ritual statement that there is no genuine issue as to any material fact. The opinion states: 'Defendant [appellee] urges that all the facts hereinabove stated are undisputed and that they establish noninfringement. With this conclusion we agree.' We think that, unless litigation is to be reduced to mere verbal ritualism, a prospect that we do not regard with any relish, this statement is equivalent to a statement that there is no genuine issue as to any material fact."* 328 F. 2d at 806.

The opinion of the trial court fulfilled any ritual required by F.R.C.P. 56(c).

Here the defenses of license and illegality are questions of law, and Royal presented to the trial court all the factual evidence it desired concerning those de-

*That patentee-appellant was also represented by the counsel for Royal in this action. Thus, it is surprising to see the argument made again.

fenses.* No dispute was raised by St. Regis as to those alleged facts and the court properly determined the issues of law on the assumption they were proved as alleged by plaintiffs. This is all that F.R.C.P. 56 requires.

VI.

The Holding That No Authorized Representative of St. Regis Made or Approved the Oral Price-Fixing Agreement Was Not Material to the Grounds for Summary Judgment, and Even if It Were, There Exists No Genuine Issue as to the Facts Supporting That Holding.

Section II of Royal's brief contends that the trial court erred "in holding as a matter of law that no authorized representative of appellee executed or approved the oral agreement to fix prices" (App. Br. pp. 14-18). Royal's argument is valid, however, only if the allegedly erroneous holding was a material fact in sustaining the defense of license and if there was a genuine issue as to it. Neither condition existed.

It seems clear from the memorandum opinion that the trial court's statements as to the necessity of approval of the license by authorized St. Regis officers and the ostensible authority of the negotiators were not material to the granting of summary judgment (and were not so treated by the trial court). The trial court rejected the validity of the price-fixing agreement on "*two* grounds, the first of which is the bar of the parol

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*Royal has never claimed that there was any further evidence it could offer at trial on the defense of license. Thus, this case is more properly a subject for summary judgment than was *First National Bank of Arizona v. Cities Service Co., supra,* in which the plaintiff claimed that he was prevented from producing evidence to sustain his claim.

evidence rule" [R. 18-22 in Appeal No. 22717]. The second ground was the holding that the oral price-fixing agreement was in violation of the Sherman and Clayton antitrust acts [R. 22-24 in Appeal No. 22717]. These were the *two and only two* grounds used by the trial court in rejecting any legal effect and validity of the alleged oral price-fixing agreement. Lack of actual or ostensible authority was not a ground. The only mention by the trial court as to lack of the negotiators' authority to bind St. Regis was made while discussing the applicability of the parol evidence rule [R. 18-19 in Appeal No. 22717]. But this discussion was purely incidental to the holding that the license document was, as a matter of law, a complete integrated agreement, the terms of which could not be altered or added to by parol evidence [R. 18]. The court made it clear that the question of apparent authority was not material to its determination under the parol evidence rule when it stated:

> "At such meeting [May 1963] no corporate officer of defendant was present and there is no evidence that any corporate officer of defendant was present and there is no evidence that any corporate officer of defendant ever approved the so-called oral agreement intended for by plaintiff, although such approval would be required, *regardless of the parol evidence rule*." (Emphasis added) [R. 19 in Appeal No. 22717].

However, assuming *arguendo* that the binding authority of the negotiators was a material fact to the holding applying the parol evidence rule, there exists no genuine issue as to the existence of the facts showing lack of such authority. Royal is apparently making two contentions to the contrary.

First, Royal contends that three items of evidence "warrant an inference that the appropriate officials of St. Regis approved of and ratified the oral agreement" (App. Br. p. 16). However, none of the cited evidence warrants the inference so claimed by Royal. It in no way contradicts the affidavit of the president of St. Regis that he did not have knowledge of the alleged oral price-fixing condition until November 1966. Moreover, the deposition of Johnson (Royal's president) indicates clearly that Royal and Plas-Ties knew and understood throughout the entire negotiations that the Pollock negotiators did not have the authority to enter into a binding agreement for St. Regis. Finally, it cannot be argued that maintenance by St. Regis of its prices in line with those of Plas-Ties until early 1966 is evidence of adoption or ratification by St. Regis' officers of a price-fixing agreement. It is natural that a manufacturer learning to make a product for which a competitor has a long-established price level will not cut prices until he knows he can make a profit at a lower price level. When he gains sufficient experience to ascertain this, he reduces prices to gain more business. That is precisely the pattern followed by St. Regis here.

Second, Royal contends that there is a genuine issue of material fact because, it claims, St. Regis clothed the Pollock negotiators with ostensible authority to make a binding agreement. Royal's brief quotes extensively from Cal. Jur. 2d on the law of agency and ostensible authority (App. Br. p. 17). But that quoted passage of text shows the fallacy of Royal's contention, because it states:

> ". . . an ostensible agency exists where the business done by the supposed agent, so far as it is open to the observation of third parties, is consistent with the existence of an agency, and where, as to the transaction in question, *the party dealt with is justified in believing that an agency exists.*" (Emphasis added).

Such belief cannot be justified when the third party understands and acknowledges that the principal must approve and ratify an agreement negotiated by the agent. Here there is ample evidence from Royal that it understood at all times that the Pollock negotiators did not have the authority to bind St. Regis and that final review and approval had to be made in New York by the president of St. Regis [Johnson Dep. pp. 36, 41, 44-46, 100; see also Exs. D-10, D-12, D-15 and D-16A thereto].

Therefore, there was no error in the statements of the trial court that no authorized representative of St. Regis executed or approved a price-fixing condition. Such statements, in any event, were not material to the grounds of the decision.

VII.

A Preliminary Injunction Was Properly Denied.

Although Royal's first appeal is from the denial of a preliminary injunction, it has for all intents and purposes now abandoned that appeal (App. Br. p. 27). This is understandable, because the summary judgment renders the issue moot.

In any event, it was entirely proper for the court below to refuse to issue any preliminary injunction. There was no abuse of discretion whatsoever, as shown by the thoughtful nature of the order of denial [R. 530-533]. The authorities supporting the court's order include *Pacific Cage & Screen Co. v. Continental Cage Corp.*, 259 F. 2d 87 (9th Cir. 1958); *Leavitt v. McBee Co.*, 124 F. 2d 938 (1st Cir. 1942); and *Tanner Motor Livery, Ltd. v. Avis, Inc.*, 316 F. 2d 804 (9th Cir. 1963). A full argument of the equitable principles compelling denial of a preliminary injunction under the facts of this case is found in St. Regis' memorandum in opposition [R. 247-260].

Conclusion.

This case does not warrant a trial. If it went to trial, the court would have to determine two questions of law upon the basis of the very same evidence offered by Royal here— (1) is the written license an integrated agreement, the terms of which cannot be enlarged or altered by evidence of an oral agreement, and violation of the antitrust laws? It is in the best interests of justice to determine these questions of law at a pre-trial stage, before involving the court, the parties and counsel in the time and expense of trial. Summary judgment was, therefore, properly sought and granted. The judgment should be affirmed.

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